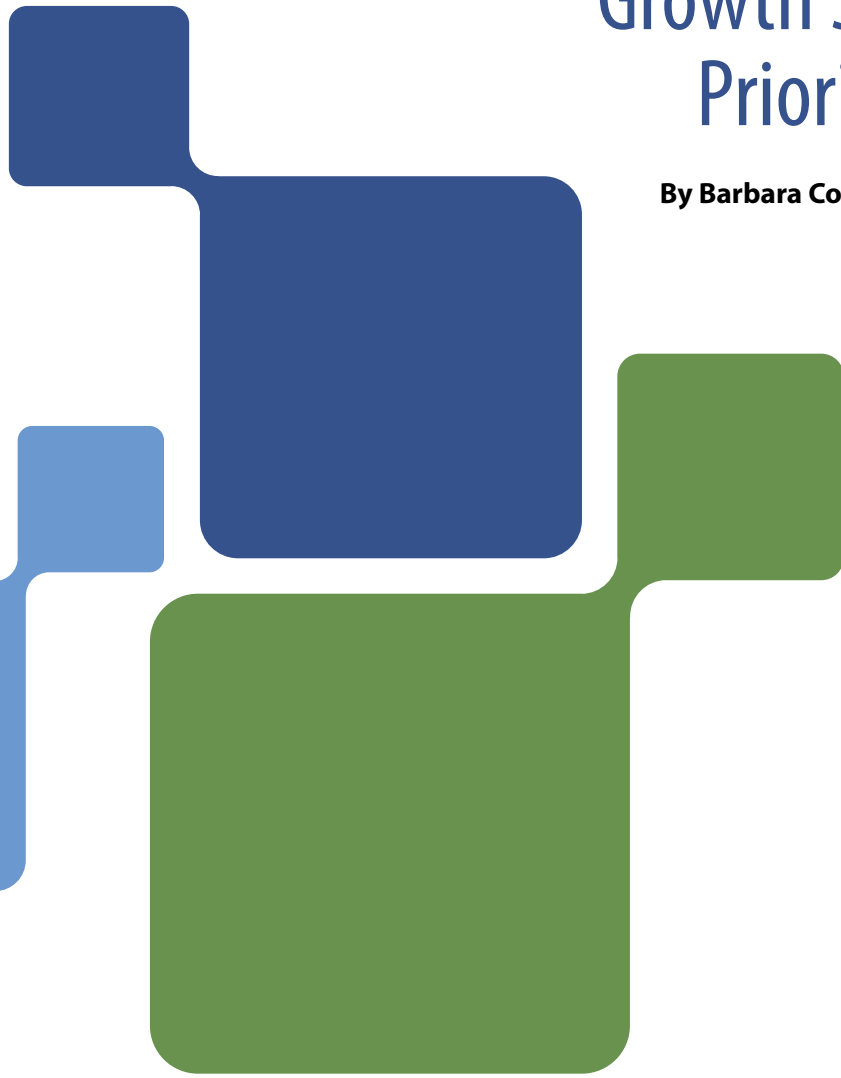


Growing Audience

Ethnic/Income Segmentation:

Growth Strategies for Priority Segments

By Barbara Cohen and Craig Kaczorowski,
Kannon Consulting



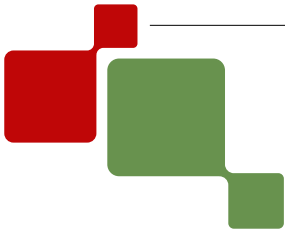


Ethnic/Income Segmentation:

Growth Strategies for Priority Segments

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Ethnic/Income Segmentation: Growth Strategies for Priority Segments

Introduction

The sweeping changes in the composition and growth of particular communities within our markets, driven in part by ethnicity, income level, education and household size, pose challenges to newspaper companies. Of course, as part of our editorial mandate, we would like to be able to serve everyone in the community. Unfortunately, we lack the infinite resources necessary to do that. This means we must be able to identify particular segments of the market to receive more attention and targeted products and services. Identifying key market segments, understanding their needs, and being first in proactively meeting those needs can lead to successful strategies in circulation, advertising, marketing, and product development.

The NAA/ASNE Audience Development Initiative has undertaken a project in partnership with Kannon Consulting to understand how changes in consumers' behaviors and attitudes provide opportunities for newspaper organizations to grow their audience. Phase I of the project focused on a life-stage segmentation framework.

For Phase II, a race/ethnicity segmentation methodology was developed. Consumers were segmented by race/ethnicity into one of three segments: Caucasian/Non-Hispanic; African-American/Black; or Hispanic/Latino. Next, within each group, consumers were sorted into smaller, and more easily targeted, segments based on their household-income levels, using \$50,000 household income as the threshold between Above Average and Average/Below Income. Consequently, six ethnic/income segments emerged, as shown on Figure 1.

The ethnic/income segments were analyzed across several key strategic areas, including Print Newspaper Readership; Internet, Technology and Newspaper Website Usage; Shopping Behavior and Sources Used for Advertising; and Demographics.

Data sources for this analysis are listed on page 12. You can review the analysis in greater depth at the [Growing Audience Website](#).

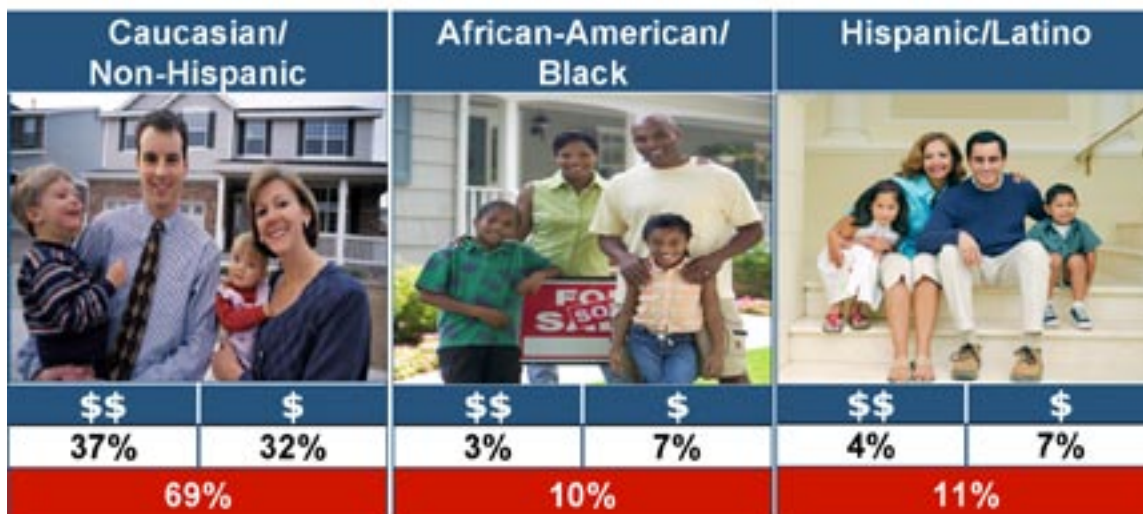
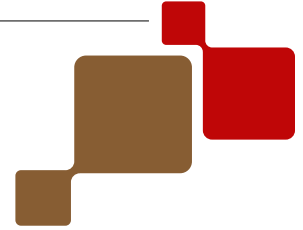


Figure 1: Six Ethnic/Income Segments

Source: DDB/Synovate Lifestyle Study 2005 (N = 3,185).



Why Ethnic Segmentation?

Dramatic shifts are occurring in the composition of the U.S. population. As shown on Figure 2, the population of ethnic groups, particularly the Hispanic community, will increase significantly over the next twenty years. Projections for these groups show their proportions growing faster than all other groups as a percentage of the total U.S. population.

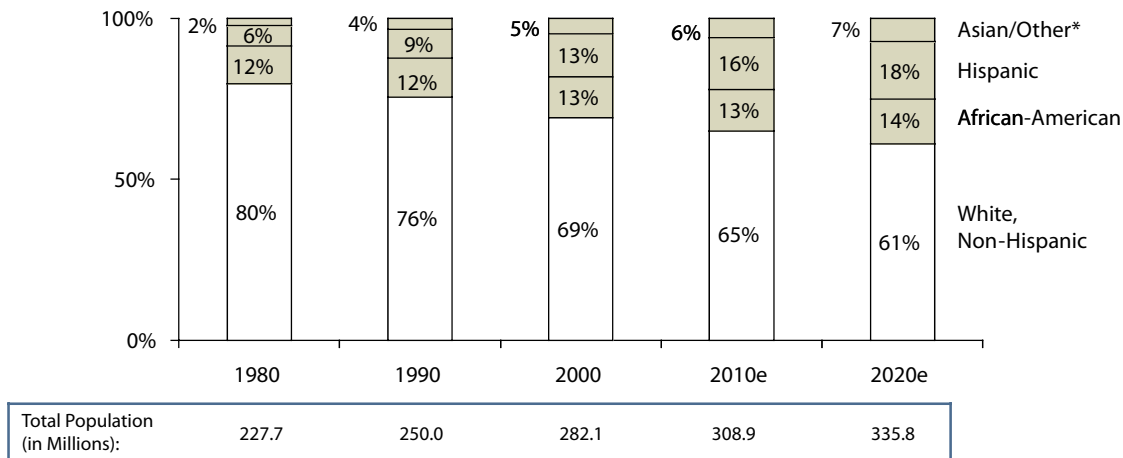


Figure 2: U.S. Racial/Ethnic Distribution, 1980 to 2020e

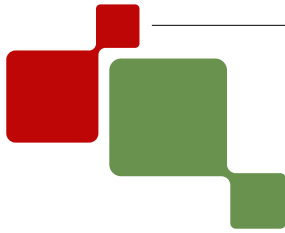
Note *: Asian/Other includes Asian-American, American Indian, Alaska Native, Hawaiian and Other Pacific Islanders

Source: U.S. Census Bureau, 2007

Looked at from another perspective, the U.S. Census Bureau forecasts that by the year 2010 nearly one of every two children is estimated to belong to a racial or ethnic group. On average, non-white and Hispanic families are also more likely to have children than white families. Therefore, when advertisers talk about marketing to households with families, increasingly those households will be ethnic ones.

Segmentation is an effective tool to help an organization identify the pool of consumers it wants to address, understand the drivers of behavior and the demands of those consumers, and develop more targeted products and efficient marketing campaigns, services, and price-points to meet their needs.

Segmentation can help articulate and coordinate consumer-driven strategies across multiple platforms and throughout all levels of an organization. Implementing a segmentation strategy helps an organization make the most appropriate, efficient resource allocation decisions.



Selected Findings and Implications

Combined, the Above Average Income Ethnic segments represent 44% of the total market surveyed, as shown on Figure 3, a considerable section of the marketplace and not an elitist fraction.

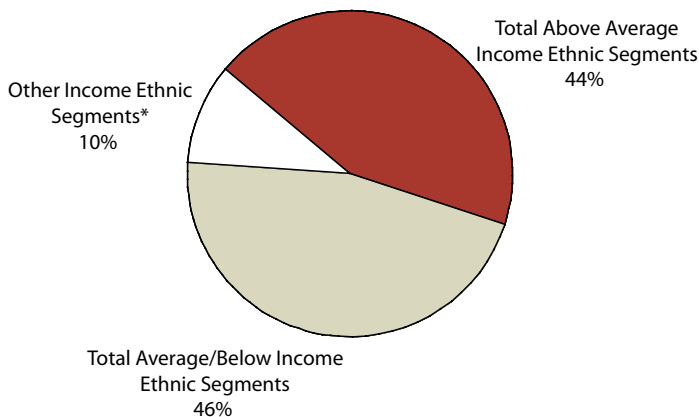


Figure 3: Total Above Average Income Segments

*Note *: Respondents who identified themselves as Asian, American Indian, Alaskan Native, Native Hawaiian or Pacific Islander, or "other" were not analyzed separately due to small sample sizes*

Source: DDB/Synovate Lifestyle Study, 2005 (N = 3,185).

For branding and strategy purposes, this report provides an overview of the Above Average Income African-American and Hispanic segments. However, let's begin by looking at key commonalities across the three Above Average Income Ethnic segments regarding media usage.

A greater percentage of Above Average Income Caucasian and African-American respondents cited having read the print version of a Sunday newspaper "last Sunday," as well as the print version of a daily newspaper "yesterday." This is not the case, however, among the Above Average Income Hispanic segment, where a smaller percentage of respondents within the segment cited reading a Sunday or daily edition of the newspaper, as shown on Figures 4 and 5.

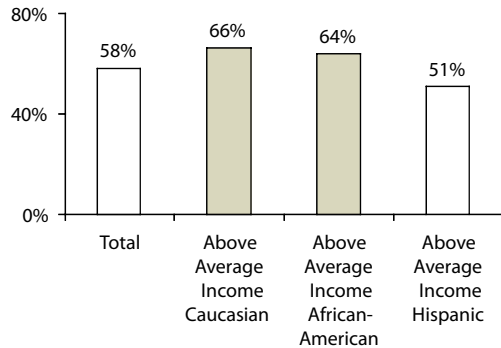
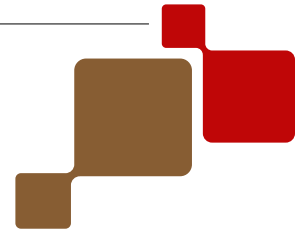


Figure 4: Read Any Sunday Newspaper, 2005

Source: MediaMark Research Inc., 2005; NAA Business Analysis and Research Department (N = 51,251).

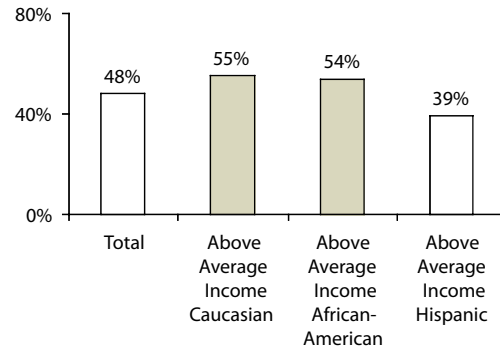


Figure 5: Read Any Daily Newspaper, 2005

Source: MediaMark Research Inc., 2005; NAA Business Analysis and Research Department (N = 51,251).

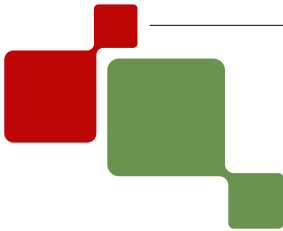
It is important to note, however, a greater percentage across all three Above Average Income Ethnic segments cite having access to the Internet versus the total, with the greatest percentage among Above Average Income Hispanics, at 95%, versus 91% Above Average Income African-Americans, 89% Above Average Income Caucasians, and 76% of the total respondents being studied.

A greater percentage of Above Average Income African-Americans (35%) cited visiting a newspaper website in the past seven day versus the total (25%). Above Average Income Hispanic and Caucasian segments were in-line with the total.

Around 60% or more across all three Above Average Income Ethnic segments have used newspaper preprints in the past 30 days, in-line with the total, at 64%. Moreover, a greater percentage of Above Average Income Hispanic (44%) and African-American (44%) respondents cited keeping Sunday inserts for “four or more days” versus the total, at 37%. Above Average Income Caucasian respondents were in-line with the total, at 33%.

Demographically, the Above Average Income Ethnic segments are also particularly desirable consumers, given their marital status, presence of children in the household, education levels, and, of course, household income. For example, 75% or more of respondents within each of the Above Average Income Ethnic segments are married versus 68% of the total respondents surveyed. While 44% of total respondents cited having children under the age of 18 living in their household, 65% of the Above Average Income African-American segment and 61% of the Above Average Income Hispanic segment have children in the household. As income is often correlated with education, at least eight out of ten respondents within each of the Above Average Income Ethnic segments have attended some college or more, versus less than seven out of ten among total respondents.

Now let’s look in greater depth at the Above Average Income African-American and Hispanic segments.



Above Average Income African-American Summary

Following are several key findings and their implications to help newspapers begin to think about product innovation and audience growth strategies for the Above Average Income African-American segment.

Newspaper readership is heaviest on Sunday mornings; however, Internet usage is encroaching on this key newspaper daypart. As noted above, in 2005 a greater percentage of respondents within the Above Average Income African-American segment cited having read a Sunday newspaper “last Sunday” versus the total population studied (64% versus 58% total). Additionally, while Sunday *morning* newspaper readership has declined 10 percentage points across total respondents surveyed from 1995 to 2005, the percentage of Above Average Income African-American newspaper readers who cited reading the Sunday paper “last Sunday *morning*” has remained steady, at around 43%.

Nevertheless, regarding Sunday morning media usage for news and information (where multiple media choices could be cited), 25% of the Above Average Income African-American segment reported using the Internet to search for news and information on an average Sunday morning in 2005, versus 19% among total respondents. Additionally, 54% utilize the radio (versus 25% total) and 54% cited utilizing television (versus 56% total).

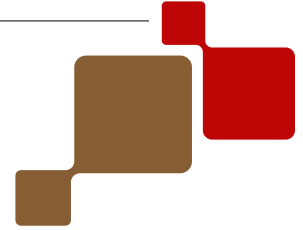
Among Above Average Income African-American respondents, 91% cited having Internet access at home, work or elsewhere, versus 76% of the total. Additionally, in 2005 more than three-quarters (77%) of the Above Average Income African-American segment reported using the Internet in the past 30 days, an increase of 26 percentage points from 2000.

Turning to daily newspaper readership, in 2005 a greater percentage of Above Average Income African-American respondents (54%) cited reading any daily newspaper “yesterday” versus the total (48%). Daily newspaper readership has been on a declining trend, however, with a drop in 11 percentage points since 1995. In comparison, decline among total respondents was 8 percentage points over the last ten years.

Regarding weekday *morning* media usage for news and information (where multiple media choices could be cited), 61% of all Above Average Income African-Americans studied utilize television (versus 57% total), and 34% utilize newspapers (versus 39% total). A greater percentage of Above Average Income African-Americans versus total respondents utilize the radio (60% versus 55% total) and the Internet (39% versus 32% total) on weekday mornings.

- **Implication:** As household Internet usage becomes more common—driven especially by increased broadband penetration among Above Average Income consumers—newspapers may need to advance an Internet strategy to protect their share of consumers’ time during the essential Sunday morning day part and reflect the increasing use of Internet in the home. For example, newspapers may need some retooling, informed especially by the way in which people use the Internet. In general, newspapers need to become more “browsable,” and to recognize that many readers either graze the newspaper throughout the day, or use Sunday as a “catch-up” day. Week-in-review sections can address this “catch-up” requirement, but may need to be revised utilizing more color and graphics, and be more tightly edited, with information about web links consumers can use for additional information. Advertising can also be re-organized for easier browsing.

Newspaper website usage is high among this segment. A greater percentage of Above Average Income African-Americans (35%) cited visiting a newspaper website in the past seven days versus the total (25%). Getting local/regional news (92%) and national news (74%) were the top reasons cited among Above Aver-



age Income African-Americans for visiting newspaper websites, in-line with the total. A greater percentage of respondents within the segment versus the total, however, cited searching for real estate (54% versus 30% total), retail (36% versus 30% total), and automotive (26% versus 19% total) shopping information on a newspaper website.

- **Implication:** Newspapers appear to have a strong foothold across two channels—print and online—within the Above Average Income African-American segment. Therefore, newspaper companies may need to review their websites strategies to meet changing consumer demands and expectations. Alterations and additions might include blogs, streaming videos and podcasts, and Really Simple Syndication (RSS) newsreaders and RSS-based search engines. Such features can create a new platform and a one-stop shop for consumers seeking immediate accesses to news and shopping information.

New channels for information delivery, such as cell phones and other wireless hand-held devices, are proliferating. Cell phone ownership was greater in 2005 among Above Average Income African-Americans versus the total, at 94% versus 77% total. A greater percentage of respondents within the segment versus the total also cited sending a text message via their cell phone (47% versus 23% total) and receiving information from the Internet on their cell phone (36% versus 19% total). Additionally, a greater percentage of Above Average Income African-Americans versus the total own technology devices such as a personal desktop or laptop computer, digital or video camera, and high-speed Internet service.

- **Implication:** Consumers are now using wireless devices to do more than just make phone calls and retrieve e-mail messages. They are using such devices to retrieve the latest airline-flight information, entertainment showtimes, and real-time sports scores, stock quotes and weather reports. Newspapers are encouraged, therefore, to explore wireless opportunities at the local level. Wireless strategies can offer newspaper organizations a rich platform for providing quality content and advertising while demonstrating to advertisers and consumers that the newspaper is still a viable and indispensable medium.

Opportunities exist to grow newspaper preprint usage. A greater percentage of Above Average Income African-Americans versus the total cited “regularly” looking at inserts that come in the newspaper (65% versus 56% total), as shown on Figure 6, as well as keeping Sunday inserts “four or more days” (50% versus 37% total), as shown on Figure 7. Among those who use Sunday newspaper inserts, a greater percentage of Above Average Income African-Americans versus the total used inserts for most store types, including Discount, Department, Home Electronics, Appliance, Drug, Home Furnishings and Computer stores.

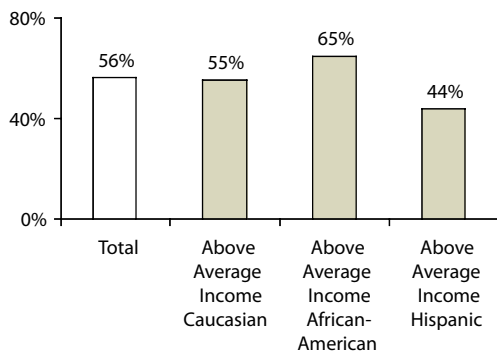


Figure 6: Use Newspaper Inserts Regularly, 2005
Source: MORI Research, 2006 NAA Preprint Study
(N = 3,008).

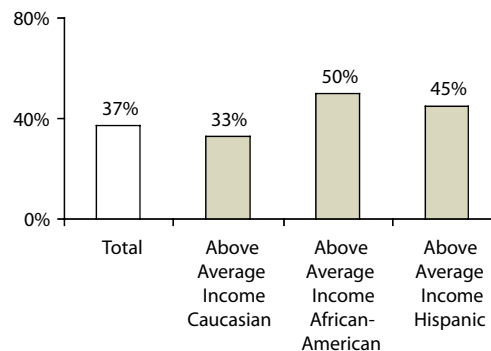
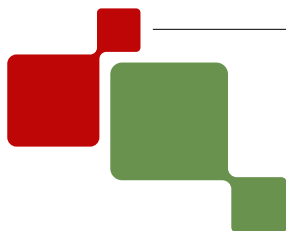


Figure 5: Read Any Daily Newspaper, 2005
Source: MORI Research, 2006 NAA Preprint Study
(N = 2,701).



A greater percentage of Above Average Income African-Americans versus the total also cited using newspaper preprints to “plan their shopping” (82% versus 77% total), and agreed that preprints “are useful” (76% versus 71% total). A greater percentage of Above Average Income African-Americans versus the total also cited saving their preprints “until making store visits” (90% versus 85% total) and comparing “one circular to another” (84% versus 79% total). A greater percentage of Above Average Income African-Americans versus the total cited that checking store inserts is part of their “routine” (62% versus 48% total) and enjoy “browsing inserts even if not looking for a particular item” (56% versus 40% total).

Concerning attitudes about Sunday newspaper inserts, a greater percentage of Above Average Income African-American respondents versus the total strongly agreed with the statements: “I usually check the inserts to see what’s on sale” (65% versus 53% total); “Checking store inserts make it easy to comparison shop” (65% versus 47% total); and “Checking newspaper inserts saves time and money” (64% versus 40% total).

- **Implication:** Newspapers can do a better job of marketing the Sunday preprint package as a “marketplace” where readers can comparison shop, see new products, get fashion and entertainment ideas, hunt for bargains, and save time. Well-crafted television, in-paper, Internet, and other promotions can highlight the desirability of the newspaper preprint package, reinforcing what many readers already do and making it more vital for advertisers to be part of the preprint “marketplace.”

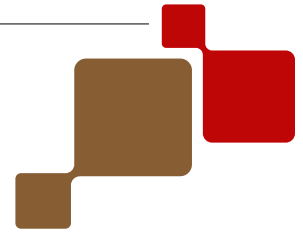
Above Average Income Hispanic/Latino Summary

Following are several key findings and their implications to help newspapers begin to think about product innovation and audience growth strategies for the Above Average Income Hispanic/Latino segment.

While newspaper readership, both weekday and Sunday, has been on a declining trend among Above Average Income Hispanics, consumers within the segment still have a strong need to be “up-to-date” and “better informed.” Although 60% of Above Average Income Hispanics cited reading any newspaper (either Sunday or weekday) in 2005, this represents a decline of 15 percentage points since 1995. In comparison, decline among total respondents was 8 percentage points (66% in 2005 versus 74% in 1995). Additionally, from 1995 to 2005 Sunday newspaper readership saw a decline of 13 percentage points (versus a decline of 8 percentage points among total respondents), while weekday readership declined 19 percentage points (also versus a decline of 8 percentage points among total respondents).

However, a greater percentage of respondents within the Above Average Income Hispanic segment versus the total agreed with the statement, “It is very important to me to be up-to-date on the news” (85% versus 76% total). Additionally, a greater percentage of respondents within the segment versus the total agreed that reading the paper was “enjoyable” (78% versus 73% total); made them feel “better informed” (77% versus 68% total); and was “mentally engaging” (73% versus 62% total).

Additionally, the Above Average Income Hispanic segment has the highest percentage for “pass-along” Sunday newspaper readership across the six ethnic/income segments. While 46% of Above Average Income Hispanic respondents cited subscribing to the Sunday newspaper, 28% defined themselves as pass-along recipients, versus only 12% of total respondents. This is the highest percentage for “pass-along” across all ethnic/income segments.



- Implication:** Non-readership and pass-along readership may be an indication of marginal interest in the core newspaper product, which appears not to be meeting the needs of many consumers within this segment. As a result, a multi-channel product portfolio targeted specifically to the news and information needs and interests of the Above Average Income Hispanic community may have to be inaugurated. This portfolio of products might include such niche publications as a free Spanish-language publication, suburban-centric dailies, and English-language Hispanic-community-oriented publications. The core-branded newspaper website might be sufficient to address the varied information and shopping needs within the segment; however, a hyper-local website may also need to be launched to meet the needs of more centrally located or urban consumers. The challenge for the industry, therefore, is to add greater relevance and value to the newspaper product(s) through improved content targeting the specific information needs of the community, enhanced utility and better service.

Advertising is a key factor among the Above Average Income Hispanic segment in deciding to obtain the newspaper. Advertising was cited by 51% of all Above Average Income Hispanic respondents as “the most important factor in deciding to obtain a Sunday newspaper,” a decidedly greater percentage versus the other segments (30% of Above Average Income African-Americans; 26% among Above Average Income White respondents; and 31% among total respondents). News articles and features were cited by 36% of Above Average Income Hispanic respondents, versus 51% of the total.

- Implication:** Robust and relevant local shopping information is one key area toward building frequency. Among those Above Average Income Hispanic respondents who use newspaper preprints, a greater percentage cited regularly checking Sunday inserts for Department, Home Electronics, and Computer stores. Additionally, a greater percentage of Above Average Hispanic respondents cited searching for retail, real estate, and automotive shopping information on newspaper websites.

Internet access and usage is highest among this segment. In 2005, 68% of the Above Average Income Hispanic segment reported using the Internet in the past 30 days, an increase of 19 percentage points from 2000. In fact, a greater percentage of Above Average Income Hispanics versus the total, as well as the other two Above Average Income segments, cited having Internet access at home, work or elsewhere. Additionally, a greater percentage of Above Average Income Hispanic respondents versus the total cited using the Internet to obtain shopping and product information for potential online purchases (62% versus 55% total) and actually purchasing items online (62% versus 52% total), as shown on Figures 8 and 9.

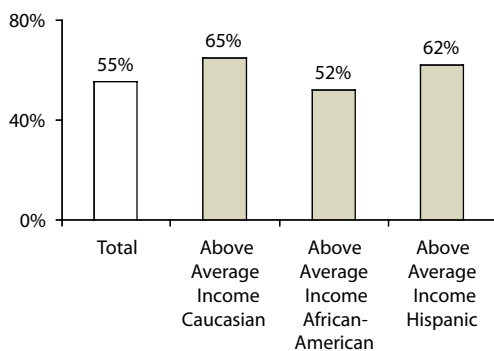


Figure 8: Use Internet for Shopping Info, 2005

Source: MORI Research, 2006 NAA Preprint Study (N = 2,188).

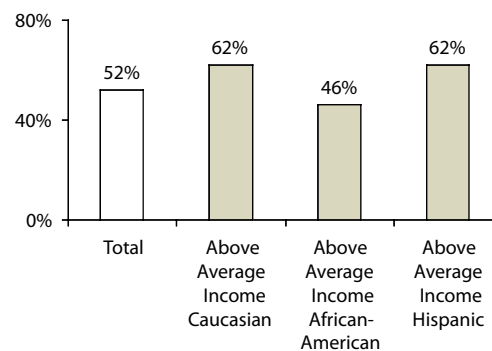
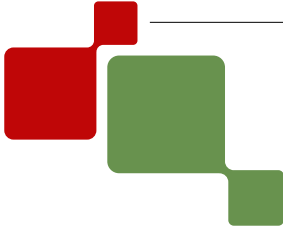


Figure 9: Use Internet to Purchase Something, 2005

Source: MORI Research, 2006 NAA Preprint Study (N = 2,188).



About 25% of Above Average Income Hispanic respondents cited visiting a newspaper website in the past seven days, mirroring the total, also at 25%. However, a greater percentage of respondents within the segment versus the total cited getting national news (87% versus 66% total), weather (69% versus 57% total) and movie/entertainment listings (67% versus 46% total) as top reasons for visiting newspaper websites. A greater percentage of Above Average Income Hispanic respondents also cited searching for retail (58% versus 36% Above Average Income African-American and 30% total) and automotive (40% versus 26% Above Average Income African-American and 19% total) shopping information on a newspaper website.

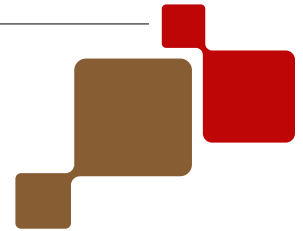
A greater percentage of Above Average Income Hispanic respondents versus the total also own technology devices such as a personal desktop or laptop computer, video camera, home or portable video game system and high-speed Internet service.

- **Implication:** While all strategies developed by newspaper organizations must take the growth of the Internet and other technology devices into account, audience growth strategies for Above Average Income Hispanic consumers must proactively address this trend. New products and services for this audience should either be online or reflect the features and benefits that this technology-focused segment is coming to expect.

Three out of four respondents within the Above Average Income Hispanic segment are bi-lingual; effective targeting strategies must address such distinctions. Demographically, the Above Average Income Hispanic segment mirrors the other two Above Average Income segments. For example, over three-fourths of respondents within the Above Average Income Hispanic segment are married, and have attended some college or more; six out of ten respondents within the segment have children under the age of 18 living in their household.

However, unlike the other Above Average Income segments, 74% of Above Average Income Hispanic respondents are multi-lingual, versus 21% of the total.

- **Implication:** Diverse national and cultural differences within the Hispanic/Latino communities must be addressed in order to target these groups successfully. A product aimed at consumers of Mexican descent may not necessarily appeal to those of Puerto Rican or Cuban ancestry. This makes designing successful print and online products particularly challenging. A suggested approach is to determine the one or two largest communities of presence in the local market and aim products and services specifically at them. Additionally, depending on the rate of acculturation, print products may need to be bi-lingual, rather than Spanish only. And content should address those issues that impact lives, such as politics, education and immigration. While local Hispanic radio and outdoor billboards can be valuable promotional channels, marketing campaigns should penetrate deeper into the communities through event marketing, such as outdoor music festivals, health fairs and other key community events.



How to Apply Ethnic Segmentation

There are infinite traits by which a market can be segmented—the goal is to select attributes that are relevant to a particular product, organization, or initiative. For this Audience Development Initiative, consumers were segmented by race/ethnicity into one of three segments, and within each group, consumers were then sorted into smaller segments based on their household-income levels. Consequently, six Ethnic/Income segments emerged.

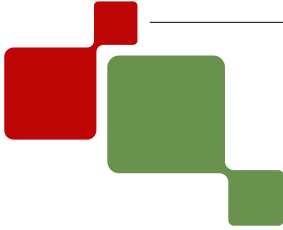
It is important to note that respondents who identified themselves as Asian, American Indian, Alaskan Native, Native Hawaiian or Pacific Islander, or “other” were not analyzed separately due to small sample sizes. In total, the “Other” segment represented 10% of the total market.

Once the segments were defined, market information was then identified and analyzed to provide insight about consumer behaviors and attitudes. As part of this initiative, Kannon Consulting analyzed research from four major consumer studies:

- **DDB/Synovate Lifestyle Study, 1995, 2000, 2005:** Conducted by Synovate on behalf of advertising agency DDB Worldwide. Survey questions ranged from attitudes on shopping to morals and ethics; interest across multiple leisure activities; consumer-products purchasing behavior; and media usage.
- **MediaMark Research Inc. (MRI), 1995, 2000, 2005:** A comprehensive survey of the adult population of the United States, which collects data such as demographics, product usage, and media exposure.
- **NAA/Scarborough Reader Engagement Study, 2005:** Conducted for the NAA by Scarborough Research to understand better how and why newspaper readers are engaged with newspapers versus other media.
- **NAA/MORI Preprint Study, 2006:** Conducted for the NAA by MORI Research to develop a better understanding of how consumers use advertising inserts that are delivered in their newspapers, with regard to alternative options, including direct mail and the Internet.

Although analyzed at the national level, these studies may provide insights on segment behavior in your own local market. Similar segmentation schemes to the one addressed in this report can be done locally, using proprietary or easily accessed consumer information. Once the Ethnic/Income Segmentation technique has been applied, newspapers can develop innovative and actionable frameworks to set priorities and formulate strategies that address priority consumers. When target segments are clearly communicated both internally and externally, the company will make better resource allocation decisions and become more consumer-centric across all functions and at all levels.

These tools also help to identify and probe consumers in each segment who do not read any newspaper, in print or online. With additional research, newspaper organizations can determine whether they have the right products to meet the needs of these consumers and what new opportunities exist to acquire them.



About the Authors

Kannon Consulting is a Chicago-based strategy and marketing firm focused on building *Outside-In* business and marketing strategies. Kannon focuses on helping clients grow revenues in the changing environments they face. New competition, emerging technologies, and the need to revitalize growth all drive an increasing need for marketplace-oriented strategies built on rigorous, structured thinking. Kannon's analytical, collaborative, and iterative approach helps to address complex, multiple strategic options while offering actionable insights and solutions.

Barbara Cohen is president and founder of Kannon. She has over twenty-five years experience in marketing and consulting, throughout which she has consistently championed the customer's point of view. Prior to founding Kannon, Barbara began her marketing career with Procter & Gamble in brand management. She joined Booz Allen Hamilton in 1982 and was elected to the partnership in 1988. There, she extended, challenged and refined traditional ways of marketing to aid clients whose industries were discovering the need to establish marketing strategies, often for the first time.

Craig Kaczorowski is a senior consultant at Kannon. He has worked with media clients to help build an understanding of consumers and advertisers in print and online businesses. He recently lead a newspaper readership survey for a major media company designed to establish a disciplined approach to understanding how well newspapers are meeting consumer information needs, and to provide guidance to readership/audience initiatives with a focus on satisfaction, not just reading behavior.

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